



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF KEETMANSHOOP  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

Published by authority

Price (Vat excluded) N\$ 24.00  
Report no: 30/2020



**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Municipality of Keetmanshoop for the financial year ended 30 June 2018 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, February 2020**

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**REPORT OF THE AUDITOR-GENERAL ON THE  
ACCOUNTS OF THE MUNICIPALITY OF KEETMANSHOOP  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Municipality of Keetmanshoop for the financial year ended 30 June 2018. These financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, for the year then ended.

In my opinion, because of the significance of matters discussed in the Basis for Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Municipality of Keetmanshoop for the financial year ended 30 June 2018 and its financial performance for the year then ended.

**2. BASIS FOR ADVERSE AUDIT OPINION**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

- The Municipality does not have an acceptable reporting framework in place;
- The Municipality did not attach a summary of significant accounting policies therefore Property, Plant and Equipment were omitted in the financial statements;
- Build together loan listings are incomplete. From the unreconciled supporting information available a misstatement of N\$ 1 331 423 transpired. The Build together loan listing amounted to N\$ 3 169 108, whilst the amount in the general ledger amounted to N\$ 4 500 531;
- The debtors age analysis of Keetmanshoop Electricity Business Unit (KEBU) amounts to N\$ 19 848 876 compared to the general ledger amounting to N\$ 21 912 203, consequently this results in a misstatement of N\$ 2 063 327;
- Credit balances in the receivables amounting to N\$ 12 846 897 could not be explained.
- Keetmanshoop Electricity Business Unit (KEBU) did not provide for doubtful debts resulting in a misstatement of N\$ 5 536 717;
- Value added tax receivables is misstated due to the incorrect system configuration; The creditors reconciliation of N\$ 12 242 985 against the Nampower statement of N\$ 19 170 633 reflects an understatement of N\$ 6 927 648 at year end;
- Since no bank reconciliation has been performed on the bank account of KEBU, the bank balance was misstated by N\$ 20 131 969;
- The memorandum of agreement between the Municipality and Redforce Debt Management CC (RedForce) was never signed by both parties; N\$ 1 803 579 was paid by the Municipality on an unsigned contract;

- Erongo Red Electricity Management Contract (EMC) was not approved despite payment amounting to N\$ 2 330 839 paid by the Municipality;
- Leave pay provision is understated by N\$ 1 641 361 due to the leave days being limited to 25 days per person in the leave pay provision calculation; and
- Cost of sales is overstated by N\$ 2 704 428, this is due to value added tax being included in the cost of sales.

### **3. KEY AUDIT MATTERS**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statement for the Municipality of Keetmanshoop.

### **4. OTHER INFORMATION**

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

### **5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation, and for such internal control as management deems it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

## 6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

My powers and duties towards auditing and reporting on the financial statements and compliance to Subject Matters are outlined under Section 25(1) (c), Section 26 (1) and Section 27(3) of the State Finance Act, 1991 (Act 31 of 1991).

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

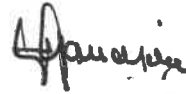
I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 7. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Municipality of Keetmanshoop during the audit is appreciated.

**WINDHOEK, February 2020**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**ANNEXURE A**

**MUNICIPALITY OF KEETMANSHOOP**  
**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE**

	Note	<b>2018</b>	<b>2017</b>
		N\$	N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>75 226 085</b>	<b>68 741 028</b>
Investments	2	64 321 996	57 439 366
Build together loans		6 403 558	7 030 367
		4 500 531	4 271 295
<b>Current assets</b>			
Accounts receivable	3	<b>39 889 408</b>	<b>25 702 943</b>
Inventories		37 648 397	22 518 245
Cash and cash equivalents	7	2 239 011	646 429
		2 000	2 538 269
<b>TOTAL ASSETS</b>		<b>115 115 493</b>	<b>94 443 971</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds</b>			
Funds and accounts	1	<b>62 707 330</b>	<b>50 428 441</b>
Accumulated funds	1	132 273 438	113 713 549
		(69 566 108)	(63 285 108)
<b>Non-current liabilities</b>			
Long-term liabilities	5	<b>1 871 512</b>	<b>3 048 508</b>
		1 871 512	3 048 508
<b>Current liabilities</b>			
Accounts payable	4	<b>50 536 651</b>	<b>40 967 022</b>
Short-term liabilities	6	40 149 743	34 027 534
Bank overdraft		7 175 550	6 939 488
		3 211 358	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>115 115 493</b>	<b>94 443 971</b>

**MUNICIPALITY OF KEETMANSHOOP**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE**

	Note	2018 N\$	2017 N\$
INCOME		187 838 494	86 800 434
EXPENDITURE		(180 022 055)	(81 363 896)
<b>NET OPERATING PROFIT /(LOSS)</b>		<b>7 816 439</b>	<b>5 436 538</b>
ADJUSTMENTS	8	(14 097 439)	(20 461 730)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>(6 281 000)</b>	<b>(15 025 192)</b>
APPROPRIATION ACCOUNT AT THE BEGINNING OF THE YEAR		(63 285 108)	(48 259 916)
APPROPRIATION ACCOUNT AT THE END OF THE YEAR		<b>(69 566 108)</b>	<b>(63 285 108)</b>

**MUNICIPALITY OF KEETMANSHOOP**  
**NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE**

**ANNEXURE C**

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>1. FUNDS</b>	<b>62 707 330</b>	<b>50 428 441</b>
Housing Fund	13 565 042	13 230 273
Capital Development Fund	30 672 740	30 672 740
Fixed Property Fund	27 517 387	17 339 427
Loans Redeemed	11 262 768	10 098 238
Revenue contribution	44 140 686	37 258 056
General Capital contribution	5 114 815	5 114 815
Accumulated surplus	(69 566 108)	(63 285 108)
<b>2. INVESTMENTS</b>	<b>6 403 558</b>	<b>7 030 367</b>
Housing Fund	3 752 871	4 402 378
Capital Development Fund	2 650 687	2 627 989
<b>3. ACCOUNTS RECEIVABLE</b>	<b>37 648 397</b>	<b>22 518 245</b>
Consumers	109 043 965	84 825 095
Customer deposits	-	(3 838 705)
Less: Provision for bad debts	(76 320 575)	(63 173 311)
Value Added Tax	4 322 157	4 705 166
Sundry debtors	602 850	-
<b>4. ACCOUNTS PAYABLE</b>	<b>40 149 743</b>	<b>34 027 534</b>
Trade payables	34 100 304	32 149 934
Customer deposits	4 081 943	-
Sundry creditors	366 982	277 086
Provisions	1 600 514	1 600 514
<b>5. LONG-TERM LIABILITIES</b>	<b>1 871 512</b>	<b>3 048 508</b>
Hire Purchase Loans	-	1 088 429
Government loans	1 871 512	1 960 079
<b>6. SHORT-TERM LIABILITIES</b>	<b>7 175 550</b>	<b>6 939 488</b>
Hire Purchase Loans	1 088 431	1 164 529
Government loans	6 087 119	5 774 959

**MUNICIPALITY OF KEETMANSHOOP**  
**NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)**

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>7. CASH AND CASH EQUIVALENTS</b>	<b>2 000</b>	<b>2 538 269</b>
Current bank	-	2 536 269
Petty cash	2 000	2 000
<b>8. ADJUSTMENTS AND UTILISATIONS</b>	<b>14 097 439</b>	<b>20 461 730</b>
Appropriation- Debtors	13 147 264	8 876 535
Appropriation- Creditors	970 910	161 761
Unclaimed Deposits	(20 735)	-
Selco take over	-	11 423 434

**MUNICIPALITY OF KEETMANSHOOP**  
**NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE**

**ANNEXURE C**

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>1. FUNDS</b>	<b>62 707 330</b>	<b>50 428 441</b>
Housing Fund	13 565 042	13 230 273
Capital Development Fund	30 672 740	30 672 740
Fixed Property Fund	27 517 387	17 339 427
Loans Redeemed	11 262 768	10 098 238
Revenue contribution	44 140 686	37 258 056
General Capital contribution	5 114 815	5 114 815
Accumulated surplus	(69 566 108)	(63 285 108)
<b>2. INVESTMENTS</b>	<b>6 403 558</b>	<b>7 030 367</b>
Housing Fund	3 752 871	4 402 378
Capital Development Fund	2 650 687	2 627 989
<b>3. ACCOUNTS RECEIVABLE</b>	<b>37 648 397</b>	<b>22 518 245</b>
Consumers	109 043 965	84 825 095
Customer deposits	-	(3 838 705)
Less: Provision for bad debts	(76 320 575)	(63 173 311)
Value Added Tax	4 322 157	4 705 166
Sundry debtors	602 850	-
<b>4. ACCOUNTS PAYABLE</b>	<b>40 149 743</b>	<b>34 027 534</b>
Trade payables	34 100 304	32 149 934
Customer deposits	4 081 943	-
Sundry creditors	366 982	277 086
Provisions	1 600 514	1 600 514
<b>5. LONG-TERM LIABILITIES</b>	<b>1 871 512</b>	<b>3 048 508</b>
Hire Purchase Loans	-	1 088 429
Government loans	1 871 512	1 960 079
<b>6. SHORT-TERM LIABILITIES</b>	<b>7 175 550</b>	<b>6 939 488</b>
Hire Purchase Loans	1 088 431	1 164 529
Government loans	6 087 119	5 774 959

**MUNICIPALITY OF KEETMANSHOOP**  
**NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)**

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>7. CASH AND CASH EQUIVALENTS</b>	<b>2 000</b>	<b>2 538 269</b>
Current bank	-	2 536 269
Petty cash	2 000	2 000
<b>8. ADJUSTMENTS AND UTILISATIONS</b>	<b>14 097 439</b>	<b>20 461 730</b>
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